

Company Registration No. SC331521 (Scotland)

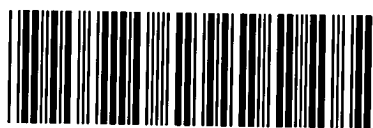
VEGWARE LIMITED
REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 JANUARY 2018

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VEGWARE LIMITED

COMPANY INFORMATION

Directors	J Frankel D Robb K Wilson I Drury L Frankel T Suter J Suter
Secretary	Burness Paull LLP
Company number	SC331521
Registered office	39 Melville Street Edinburgh EH3 7JF
Auditor	RSM UK Audit LLP Chartered Accountants First Floor, Quay 2 139 Fountainbridge Edinburgh EH3 9QG

VEGWARE LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 JANUARY 2018

The directors present the strategic report for the year ended 31 January 2018.

Vegware develops and manufactures environmental foodservice packaging and delivers a solution for zero-to-landfill in a foodservice environment.

Vegware products are made from renewable or recycled materials, are completely compostable after use and can be recycled with food waste. This is a key factor in the promotion of zero waste in the foodservice sector. In addition to a strong focus on product R&D and innovation, we provide our clients with full creative and environmental consultancy including assistance with implementation of food and packaging waste recycling.

Vegware's innovative approach makes it a market leader in the UK and we enjoy very strong relationships across the industry, including major contract caterers and national distributors. Growth in Europe is accelerating through a mix of direct development and expansion through our UK network. We are building a global brand with operations spanning five continents coordinated from our global headquarters in the UK.

Vegware's combination of innovative products and services, knowledge capital, strong web presence, growing global presence, and a supportive legislative and consumer environment, is creating the platform to enable Vegware to become one of the world's foremost brands of eco catering disposables.

Business review

Vegware is a young, dynamic, fast-growing, international business achieving an underlying operating profit of £1.1m in 2018 (2017: £0.6m). During the financial year, the Vegware group established a subsidiary in the US, resulting in Vegware Limited incurring costs of over £400,000 in respect of marketing services provided by Vegware Packaging Inc. promoting the Vegware brand in the US in line with a service agreement. Including these costs, Vegware Limited achieved an operating profit of £610,762 (2017: £609,184).

Vegware has consistently delivered double digit sales growth year after year, and the year to 31 January 2018 continued this trend with total sales of £20.1m (2017: £14.9m). UK sales grew to £14.8m (2017: £11.6m), which was driven by the continued excellent relationships with core clients and the development of significant new business. UK sales are projected to continue to grow strongly as these key relationships continue to be developed and new distributor relationships are established.

Export sales grew to £5.4m (2017: £3.4m) in the financial year and Vegware is now sold in more than 25 countries globally. The application of additional resource to the key international markets should see export sales continue to show strong growth.

Principal risks and uncertainties

A proportion of raw materials are purchased from overseas markets in US dollars and Euro and is subject to fluctuations in exchange rates. The company uses forward contracts and option agreements to minimise the impact of this, however this year saw a change in the fair value of the derivatives resulting in a loss of £514,453 charged to the statement of comprehensive income.

VEGWARE LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 JANUARY 2018

Financial key performance indicators (KPIs)

The Board monitors the progress of the company by reference to the following KPIs:

	2017/18	2016/17
Gross margin	20%	20%
Adjusted operating profit	5%	4%

On behalf of the board



J Frankel

Director

Date: 12/9/18

VEGWARE LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 JANUARY 2018

The directors present their annual report and financial statements for the year ended 31 January 2018.

Principal activities

The principal activity of the company continued to be that of the development, importation and distribution of eco friendly catering disposables and food packaging.

Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

J Frankel

D Robb

K Wilson

I Drury

L Frankel

C Murphy

(Resigned 8 May 2018)

T Suter

J Suter

(Appointed 1 February 2017)

Results and dividends

The results for the year are set out on page 8.

No ordinary dividends were paid. The directors do not recommend payment of a final dividend.

Financial instruments

Foreign currency

The company enters into forward contracts and option agreements in order to reduce the impact of future volatility in foreign currency exchange rates on its results. The company does not speculate in the trading of derivative financial instruments. The company is subject to risk factors both internal and external to its business.

The Board regularly reviews the process of identifying, evaluating and managing the significant risks that it faces and considers the acceptance of appropriate risk to be an integral part of business. The Board aims to ensure that unacceptable levels of risk are avoided or reduced to an acceptable level.

Future developments

Vegware aspires to create the world's foremost brand of eco catering disposables. We aim to achieve this by sustained organic growth, expanding geographically, contract wins and client retention through a solution-based approach backed up with exceptional service and supply chain. Our aspiration is to be at the leading edge of innovation with our people, our products, our services and our clients.

Auditor

RSM UK Audit LLP have indicated their willingness to be reappointed for another term and appropriate arrangements have been put in place for them to be deemed reappointed as auditors in the absence of an Annual General Meeting.

VEGWARE LIMITED

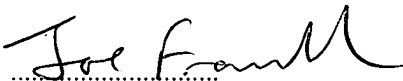
DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 JANUARY 2018

Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, each director has taken all the necessary steps that they ought to have taken as a director in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

On behalf of the board



J Frankel

Director

Date: 12/2/18

VEGWARE LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT FOR THE YEAR ENDED 31 JANUARY 2018

The directors are responsible for preparing the Strategic Report and the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF VEGWARE LIMITED

Opinion

We have audited the financial statements of Vegware Limited (the 'company') for the year ended 31 January 2018 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 January 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF VEGWARE LIMITED (CONTINUED)

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report and the directors' report.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <http://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

RSM UK Audit LLP

Claire Monaghan (Senior Statutory Auditor)
For and on behalf of RSM UK Audit LLP, Statutory Auditor
Chartered Accountants
First Floor, Quay 2
139 Fountainbridge
Edinburgh
EH3 9QG

14/9/18

VEGWARE LIMITED

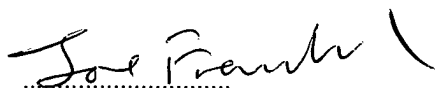
STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 JANUARY 2018

	Notes	2018 £	2017 £
Turnover	3	20,122,710	14,927,479
Cost of sales		(16,104,643)	(11,886,539)
Gross profit		4,018,067	3,040,940
Administrative expenses		(3,492,819)	(2,408,984)
Other operating income		85,514	2,228
Restructuring costs	4	-	(25,000)
Operating profit	8	610,762	609,184
Interest payable and similar expenses	9	(64,167)	(89,401)
Other gains and (losses)	10	(514,453)	28,537
Profit before taxation		32,142	548,320
Tax on profit	11	18,253	(91,826)
Profit for the financial year		50,395	456,494

VEGWARE LIMITED**STATEMENT OF FINANCIAL POSITION****AS AT 31 JANUARY 2018**

	Notes	2018 £	£	2017 £	£
Fixed assets					
Intangible assets	12		66,613		-
Tangible assets	13		148,694		141,814
Investments	14		26		26
			<u>215,333</u>		<u>141,840</u>
Current assets					
Stocks	15	2,624,497		2,517,396	
Debtors	16	4,939,239		3,606,733	
Cash at bank and in hand		82,297		66,141	
		<u>7,646,033</u>		<u>6,190,270</u>	
Creditors: amounts falling due within one year	17	(5,830,967)		(4,398,933)	
Net current assets			<u>1,815,066</u>		<u>1,791,337</u>
Total assets less current liabilities			<u>2,030,399</u>		<u>1,933,177</u>
Creditors: amounts falling due after more than one year	18		-		(13,334)
Provisions for liabilities	21		(72,920)		(25,874)
Net assets			<u><u>1,957,479</u></u>		<u><u>1,893,969</u></u>
Capital and reserves					
Called up share capital	24		270		270
Share premium account	25		446,454		446,454
Other reserves	25		13,115		-
Profit and loss reserves	25		1,497,640		1,447,245
Total equity			<u><u>1,957,479</u></u>		<u><u>1,893,969</u></u>

The financial statements were approved by the board of directors and authorised for issue on 12/9/18 and are signed on its behalf by:



J Frankel
Director

VEGWARE LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 JANUARY 2018

	Share capital £	Share premium account £	Other reserves £	Profit and loss reserves £	Total £
Balance at 1 February 2016	195,250	109,743	-	990,751	1,295,744
Year ended 31 January 2017:					
Profit and total comprehensive income for the year	-	-	-	456,494	456,494
Issue of share capital	20	336,711	-	-	336,731
Redemption of shares	(195,000)	-	-	-	(195,000)
Balance at 31 January 2017	270	446,454	-	1,447,245	1,893,969
Year ended 31 January 2018:					
Profit and total comprehensive income for the year	-	-	-	50,395	50,395
Other movements	-	-	13,115	-	13,115
Balance at 31 January 2018	270	446,454	13,115	1,497,640	1,957,479

VEGWARE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JANUARY 2018

1 Accounting policies

Company information

Vegware Limited is a private company limited by shares and is registered and incorporated in Scotland (SC331521). The registered office is 39 Melville Street, Edinburgh, EH3 7JF.

The company's principal activities and nature of its operations are disclosed in the Directors' Report.

Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

This company is a qualifying entity for the purposes of FRS 102, being a member of a group where the parent of that group prepares publicly available consolidated financial statements, including this company, which are intended to give a true and fair view of the assets, liabilities, financial position and profit or loss of the group. The company has therefore taken advantage of exemptions from the following disclosure requirements:

- Section 7 'Statement of Cash Flows' – Presentation of a statement of cash flow and related notes and disclosures;
- Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instrument Issues' – Carrying amounts, interest income/expense and net gains/losses for each category of financial instrument; basis of determining fair values; details of collateral, loan defaults or breaches, details of hedges, hedging fair value changes recognised in profit or loss and in other comprehensive income;
- Section 33 'Related Party Disclosures' – Compensation for key management personnel.

The financial statements of the company are consolidated in the financial statements of Vegware Holdings Limited. These consolidated financial statements are available from its registered office, 39 Melville Street, Edinburgh, EH3 7JF.

Going concern

The directors are of the opinion that the company can meet its obligations as they fall due for the foreseeable future. The company has a healthy net assets position and a positive bank balance. The directors have prepared budgets and cash flow projections that show the company should continue to be profitable for the foreseeable future. On this basis, the directors consider it appropriate to prepare the financial statements on a going concern basis.

Turnover

Turnover is recognised at the fair value of the consideration received or receivable for goods provided in the normal course of business, and is shown net of VAT and other sales related taxes. The fair value of consideration takes into account trade discounts, settlement discounts and volume rebates.

When cash inflows are deferred and represent a financing arrangement, the fair value of the consideration is the present value of the future receipts. The difference between the fair value of the consideration and the nominal amount received is recognised as interest income.

VEGWARE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 JANUARY 2018

1 Accounting policies (Continued)

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer (usually on dispatch of the goods), the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Research and development expenditure

Research expenditure is written off against profits in the year in which it is incurred.

Intangible fixed assets other than goodwill

Intangible assets purchased other than in a business combination are recognised when future economic benefits are probable and the cost or value of the asset can be measured reliably.

Intangible assets are initially recognised at cost and are subsequently measured at cost less accumulated amortisation and accumulated impairment losses.

Amortisation is recognised so as to write off the cost of assets less their residual values over their useful lives on the following bases:

Software	33% on cost
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On disposal, the difference between the net disposal proceeds and the carrying amount of the intangible asset is recognised in profit or loss.

Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost of assets less their residual values over their useful lives on the following bases:

Property improvements	Over the period of the lease
Plant and machinery	33% on cost
Equipment, fixtures and fittings	33% on cost
Computer equipment	25% on cost

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit or loss.

Fixed asset investments

Interests in subsidiaries, associates and jointly controlled entities are initially measured at cost and subsequently measured at cost less any accumulated impairment losses. The investments are assessed for impairment at each reporting date and any impairment losses or reversals of impairment losses are recognised immediately in profit or loss.

Stocks

Stocks are stated at the lower of cost, including shipping costs, and net realisable value.

At each reporting date, an assessment is made for impairment. Any excess of the carrying amount of stocks over its estimated selling price less costs to sell is recognised as an impairment loss in profit or loss. Reversals of impairment losses are also recognised in profit or loss.

VEGWARE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 JANUARY 2018

1 Accounting policies (Continued)

Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets

Basic financial assets, which include trade and other debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the financial asset is measured at the present value of the future receipts discounted at a market rate of interest.

Other financial assets

Other financial assets, including trade investments, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

Classification of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

VEGWARE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 JANUARY 2018

1 Accounting policies (Continued)

Basic financial liabilities

Basic financial liabilities, including trade and other creditors and bank loans are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Other financial liabilities

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value, at each reporting date. Changes in the fair value of derivatives are recognised in profit or loss in other gains or losses as appropriate, unless hedge accounting is applied and the hedge is a cash flow hedge. A derivative with a positive fair value is recognised as a financial asset, whereas a derivative with a negative fair value is recognised as a financial liability.

Debt instruments where the contractual returns, repayment of the principal, or other terms (such as prepayment provisions or term extensions) do not meet the conditions to be measured at amortised cost, are subsequently measured at fair value through profit or loss. Debt instruments may be designated as being measured at fair value through profit or loss to eliminate or reduce an accounting mismatch or if the instruments are measured and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

Derecognition of financial liabilities

Financial liabilities are derecognised when, and only when, the company's contractual obligations are discharged, cancelled, or they expire.

Equity instruments

Equity instruments issued by the company are recorded at the fair value of proceeds received, net of direct issue costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

Taxation

The tax expense represents the sum of the current tax expense and deferred tax expense. Current tax assets are recognised when tax paid exceeds the tax payable.

Current and deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited to other comprehensive income or equity, when the tax follows the transaction or event it relates to and is also charged or credited to other comprehensive income, or equity.

Current tax assets and current tax liabilities and deferred tax assets and deferred tax liabilities are offset, if and only if, there is a legally enforceable right to set off the amounts and the entity intends either to settle on the net basis or to realise the asset and settle the liability simultaneously.

Current tax is based on taxable profit for the year. Current tax assets and liabilities are measured using tax rates that have been enacted or substantively enacted by the reporting period.

VEGWARE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 JANUARY 2018

1 Accounting policies (Continued)

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled based on tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax liabilities are recognised in respect of all timing differences that exist at the reporting date. Timing differences are differences between taxable profits and total comprehensive income that arise from the inclusion of income and expenses in tax assessments in different periods from their recognition in the financial statements. Deferred tax assets are recognised only to the extent that it is probable that they will be recovered by the reversal of deferred tax liabilities or other future taxable profits.

Provisions

Provisions are recognised when the company has a legal or constructive present obligation as a result of a past event, it is probable that the company will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting end date, taking into account the risks and uncertainties surrounding the obligation. Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value. When a provision is measured at present value, the unwinding of the discount is recognised as a finance cost in profit or loss in the period in which it arises.

Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

Retirement benefits

For defined contribution schemes the amount charged to profit or loss is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments.

Share-based payments

Equity-settled share-based payments are measured at fair value at the date of grant by reference to the fair value of the equity instruments granted using the EBITDA model. The fair value determined at the grant date is expensed on a straight-line basis over the vesting period, based on the estimate of shares that will eventually vest. A corresponding adjustment is made to equity.

Leases

Rentals payable under operating leases, including any lease incentives received, are charged to income on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

VEGWARE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 JANUARY 2018

1 Accounting policies (Continued)

Government grants

Government grants are recognised at the fair value of the asset received or receivable when there is reasonable assurance that the grant conditions will be met and the grants will be received.

A grant that specifies performance conditions is recognised in income when the performance conditions are met. Where a grant does not specify performance conditions it is recognised in income when the proceeds are received or receivable.

Foreign exchange

Transactions in currencies other than the functional currency (foreign currency) are initially recorded at the exchange rate prevailing on the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Non-monetary assets and liabilities denominated in foreign currencies are translated at the rate ruling at the date of the transaction, or, if the asset or liability is measured at fair value, the rate when that fair value was determined.

All translation differences are taken to profit or loss, except to the extent that they relate to gains or losses on non-monetary items recognised in other comprehensive income, when the related translation gain or loss is also recognised in other comprehensive income.

2 Judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

Critical judgements

The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

Stock

In preparing these financial statements, the directors have determined whether stock values are appropriate, taking into consideration the impact of slow-moving and obsolete stock.

3 Turnover and other revenue

An analysis of the company's turnover is as follows:

	2018	2017
	£	£
Turnover analysed by class of business		
Sale of goods	20,122,710	14,927,479

VEGWARE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 JANUARY 2018

3 Turnover and other revenue (Continued)

	2018 £	2017 £
Turnover analysed by geographical market		
United Kingdom	14,772,059	11,565,478
Rest of Europe	4,247,349	2,782,265
Rest of the World	1,103,302	579,736
	<u>20,122,710</u>	<u>14,927,479</u>

4 Restructuring costs

	2018 £	2017 £
Restructuring costs	-	25,000
	<u>-</u>	<u>25,000</u>

During the prior year the company undertook restructuring as part of its long term strategy with the result that 100% of the ordinary share capital of the company was acquired by a newly incorporated parent company, Vegware Holdings Limited. The company incurred costs of £nil (2017: £25,000) in relation to this restructuring.

5 Directors' remuneration

	2018 £	2017 £
Remuneration for qualifying services	386,047	230,271
Company pension contributions to defined contribution schemes	21,448	12,423
	<u>407,495</u>	<u>242,694</u>

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 5 (2017 - 6).

Remuneration disclosed above include the following amounts paid to the highest paid director:

	2018 £	2017 £
Remuneration for qualifying services	128,736	74,365
Company pension contributions to defined contribution schemes	8,837	5,206
	<u>137,573</u>	<u>79,571</u>

During the year £53,572 (2017: £41,690) was payable to third parties in respect of the provision of director services.

VEGWARE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 JANUARY 2018

6 Employees

The average monthly number of persons (including directors) employed by the company during the year was:

	2018 Number	2017 Number
Management	21	10
Admin	36	40
	<u>57</u>	<u>50</u>

Their aggregate remuneration comprised:

	2018 £	2017 £
Wages and salaries	1,769,532	1,374,437
Social security costs	165,626	117,659
Pension costs	64,086	51,333
	<u>1,999,244</u>	<u>1,543,429</u>

VEGWARE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JANUARY 2018

7 Share-based payment transactions

The company previously operated an Enterprise Management Incentive scheme, under which the Board offered employees and directors options to purchase ordinary shares in the company. These options were exercisable once the company had achieved an exit event as stated in the agreement. The options would lapse at the earlier of the following:

1. Within 12 months following the option holder's death;
2. From the date upon which the option holder ceases to be an employee of the company;
3. 10 years from the date of granting; or
4. Immediately following completion of an exit event.

	Number of share options		Weighted average exercise price	
	2018 Number	2017 Number	2018 £	2017 £
Outstanding at 1 February 2017	-	15,452	-	14.06
Granted	1,117,914	-	1.02	-
Forfeited	(247,739)	(14,412)	1.00	14.26
Exercised	-	(1,040)	-	11.28
	<u>870,175</u>	<u>-</u>	<u>1.03</u>	<u>-</u>
Outstanding at 31 January 2018	870,175	-	1.03	-
	<u>870,175</u>	<u>-</u>	<u>1.03</u>	<u>-</u>
Exercisable at 31 January 2018	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

When the company was acquired by Vegware Holdings Limited, the previous incentive scheme was replaced by one put in place by Vegware Holdings Limited but offered to employees of Vegware Limited.

8 Operating profit

	2018 £	2017 £
Operating profit for the year is stated after charging/(crediting):		
Exchange (gains)/losses	(118,392)	83,718
Research and development costs	38,208	51,033
Government grants	(7,310)	-
Fees payable to the company's auditor for the audit of the company's financial statements	11,750	9,200
Depreciation of owned tangible fixed assets	104,852	99,063
Loss on disposal of tangible fixed assets	8,995	-
Amortisation of intangible assets	5,979	-
Cost of stocks recognised as an expense	14,377,507	10,854,898
Share-based payments	13,115	-
Operating lease charges	65,993	52,877
	<u>14,588,010</u>	<u>11,000,989</u>

Exchange differences recognised in profit or loss during the year, except for those arising on financial instruments measured at fair value through profit or loss, amounted to a gain of £118,392 (2017 - a loss of £83,718).

VEGWARE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 JANUARY 2018

9 Interest payable and similar expenses

	2018	2017
	£	£
Interest on bank overdrafts and loans	507	1,766
Interest on invoice finance arrangements	63,660	77,771
Other interest on financial liabilities	-	9,702
Other interest	-	162
	<u>64,167</u>	<u>89,401</u>

10 Other gains and losses

	2018	2017
	£	£
Fair value gains/(losses) on financial instruments		
Change in value of financial assets held at fair value through profit or loss	(514,453)	28,537
	<u>(514,453)</u>	<u>28,537</u>

The above loss of £514,453 relates to movements in foreign exchange derivatives which are initially recognised at fair value and subsequently re-measured at each reporting date. The movement in fair value is recognised in the profit and loss account. This is a non-cash transaction.

11 Taxation

	2018	2017
	£	£
Current tax		
UK corporation tax on profits for the current period	-	112,995
Adjustments in respect of prior periods	(27,030)	(27,426)
Total current tax	<u>(27,030)</u>	<u>85,569</u>
Deferred tax		
Origination and reversal of timing differences	8,777	6,257
Total tax (credit)/charge	<u>(18,253)</u>	<u>91,826</u>

VEGWARE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 JANUARY 2018

11 Taxation (Continued)

The total tax (credit)/charge for the year included in the income statement can be reconciled to the profit before tax multiplied by the standard rate of tax as follows:

	2018 £	2017 £
Profit before taxation	32,142	548,320
Expected tax charge based on the standard rate of corporation tax in the UK of 19.16% (2017: 20.00%)	6,158	109,664
Tax effect of expenses that are not deductible in determining taxable profit	6,122	10,719
Group relief	-	(10,913)
Depreciation on assets not qualifying for tax allowances	(3,542)	8,398
Other permanent differences	3,667	(1,134)
Under/(over) provided in prior years	(27,030)	(27,426)
Deferred tax adjustments in respect of prior years	-	4,159
Other differences	(1,115)	(1,641)
Other short term timing differences	(2,513)	-
Taxation (credit)/charge for the year	(18,253)	91,826

12 Intangible fixed assets

	Software £
Cost	
At 1 February 2017	7,500
Additions - separately acquired	72,592
Disposals	(7,500)
At 31 January 2018	72,592
Amortisation and impairment	
At 1 February 2017	7,500
Amortisation charged for the year	5,979
Disposals	(7,500)
At 31 January 2018	5,979
Carrying amount	
At 31 January 2018	66,613
At 31 January 2017	-

Amortisation charged in the year is included in administrative expenses in the statement of comprehensive income.

VEGWARE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JANUARY 2018

13 Tangible fixed assets

	Property improvements	Plant and machinery	Equipment, fixtures and fittings	Computer equipment	Total
	£	£	£	£	£
Cost					
At 1 February 2017	68,921	197,947	48,342	100,535	415,745
Additions	5,509	76,078	934	41,021	123,542
Disposals	(74,430)	-	(25,473)	(43,029)	(142,932)
At 31 January 2018	-	274,025	23,803	98,527	396,355
Depreciation and impairment					
At 1 February 2017	46,705	129,092	38,672	59,462	273,931
Depreciation charged in the year	17,415	55,874	8,889	22,674	104,852
Eliminated in respect of disposals	(64,120)	-	(25,101)	(41,901)	(131,122)
At 31 January 2018	-	184,966	22,460	40,235	247,661
Carrying amount					
At 31 January 2018	-	89,059	1,343	58,292	148,694
At 31 January 2017	22,216	68,855	9,670	41,073	141,814

14 Fixed asset investments

	2018 £	2017 £
Unlisted investments	26	26

Movements in fixed asset investments

	Investments other than loans £
Cost or valuation	
At 1 February 2017 & 31 January 2018	26
Carrying amount	
At 31 January 2018	26
At 31 January 2017	26

VEGWARE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 JANUARY 2018

15 Stocks

	2018 £	2017 £
Raw materials and consumables	61,766	88,727
Finished goods and goods for resale	2,562,731	2,428,669
	<u>2,624,497</u>	<u>2,517,396</u>

16 Debtors

	2018 £	2017 £
Amounts falling due within one year:		
Trade debtors	2,820,650	2,232,794
Amounts owed by group undertakings	481,000	114,374
Derivative financial instruments	-	172,552
Other debtors	68,054	1,562
Prepayments and accrued income	1,566,405	1,082,590
	<u>4,936,109</u>	<u>3,603,872</u>
Deferred tax asset (note 22)	900	2,861
	<u>4,937,009</u>	<u>3,606,733</u>
Amounts falling due after more than one year:		
Deferred tax asset (note 22)	2,230	-
	<u>2,230</u>	<u>-</u>
Total debtors	<u>4,939,239</u>	<u>3,606,733</u>

VEGWARE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 JANUARY 2018

17 Creditors: amounts falling due within one year

	Notes	2018 £	2017 £
Bank loans and overdrafts	19	-	8,000
Trade creditors		2,829,269	2,251,613
Amounts due to group undertakings		458,665	-
Corporation tax		-	112,899
Other taxation and social security		45,229	43,749
Derivative financial instruments		341,901	-
Other creditors		1,789,284	1,603,970
Accruals and deferred income		366,619	378,702
		<u>5,830,967</u>	<u>4,398,933</u>

Other creditors includes £1,768,587 (2017: £1,586,215) in relation to an invoice financing facility which is secured by floating charge over the assets of the company and its parent, Vegware Holdings Limited.

18 Creditors: amounts falling due after more than one year

	Notes	2018 £	2017 £
Bank loans and overdrafts	19	-	13,334
		<u>-</u>	<u>13,334</u>

19 Borrowings

	2018 £	2017 £
Bank loans	-	21,334
	<u>-</u>	<u>21,334</u>
Payable within one year	-	8,000
Payable after one year	-	13,334
	<u>-</u>	<u>21,334</u>

The loans were repaid when the company was acquired by Vegware Holdings Limited and group financing arrangements were put in place

20 Financial instruments

	2018 £	2017 £
Carrying amount of financial assets		
Instruments measured at fair value through profit or loss	-	172,552
	<u>-</u>	<u>172,552</u>
Carrying amount of financial liabilities		
Measured at fair value through profit or loss		
- Other financial liabilities	341,901	-
	<u>341,901</u>	<u>-</u>

VEGWARE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JANUARY 2018

20 Financial instruments (Continued)

Foreign exchange forward contracts

The company uses foreign currency forward contracts to manage the foreign change risk of future transactions and cash flows.

The contracts are valued based on available market data. The company does not adopt hedge accounting for forward exchange contracts and, consequently, fair value gains and losses are recognised in profit or loss.

21 Provisions for liabilities

	Notes	2018 £	2017 £
Dilapidations provision		38,000	-
Deferred tax liabilities	22	34,920	25,874
		<u>72,920</u>	<u>25,874</u>

Movements on provisions apart from retirement benefits and deferred tax liabilities:

	Dilapidations provision £
Additional provisions in the year	38,000
	<u>38,000</u>

A provision for dilapidations has been recognised based on the best estimate of expected outflows in relation to the company's previous office premises vacated in the year.

22 Deferred taxation

The major deferred tax liabilities and assets recognised by the company are:

	Liabilities 2018 £	Liabilities 2017 £	Assets 2018 £	Assets 2017 £
Balances:				
Accelerated capital allowances	34,920	25,874	-	-
Share based payments	-	-	2,230	-
Disallowable provisions	-	-	900	2,861
	<u>34,920</u>	<u>25,874</u>	<u>3,130</u>	<u>2,861</u>

VEGWARE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 JANUARY 2018

22 Deferred taxation (Continued)

	2018 £
Movements in the year:	
Liability at 1 February 2017	23,013
Charge to profit or loss	8,777
	<u>31,790</u>
Liability at 31 January 2018	<u>31,790</u>

£900 of the deferred tax asset and £17,899 of the deferred tax liability are expected to reverse within twelve months.

23 Retirement benefit schemes

	2018 £	2017 £
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	64,086	51,333
	<u>64,086</u>	<u>51,333</u>

The company operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the company in an independently administered fund. At the year end contributions amounting to £9,074 (2017: £6,978) were payable to the fund and are included in creditors.

24 Share capital

	2018 £	2017 £
Ordinary share capital		
Issued and fully paid		
270,466 Ordinary shares of 0.1p each	270	270
	<u>270</u>	<u>270</u>

The company has one class of ordinary shares which have full voting and dividend rights.

VEGWARE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 JANUARY 2018

25 Reserves

Share premium

Consideration received for shares issued above their nominal value net of transaction costs.

Other reserves

Cumulative share-based payment expense.

Profit and loss reserves

Cumulative profit and loss net of distributions to owners.

26 Operating lease commitments

Lessee

At the reporting end date the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2018 £	2017 £
Within one year	86,110	11,420
Between one and five years	364,685	12,825
	<u>450,795</u>	<u>24,245</u>

27 Related party transactions

Transactions with related parties

During the year the company entered into the following transactions with related parties:

	Purchase of goods	
	2018 £	2017 £
Other related parties	-	12,318
	<u>-</u>	<u>12,318</u>
	Payment of interest	
	2018 £	2017 £
Other related parties	-	9,260
	<u>-</u>	<u>9,260</u>

Other related parties consist of entities who are considered to have significant influence over the company.

VEGWARE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JANUARY 2018

28 Controlling party

Vegware Holdings Limited is the immediate and ultimate parent of the company and is the smallest and largest company for which consolidated accounts including Vegware Limited are prepared.

There is no ultimate controlling party.

VEGWARE LIMITED

MANAGEMENT INFORMATION

FOR THE YEAR ENDED 31 JANUARY 2018

THE FOLLOWING PAGES DO NOT FORM PART OF THE FINANCIAL STATEMENTS

VEGWARE LIMITED

DETAILED TRADING AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 JANUARY 2018

		2018		2017
	£	£	£	£
Turnover				
Sales of goods		20,122,710		14,927,479
Cost of sales				
Opening stock of finished goods	2,428,669		2,262,782	
Opening stock of raw materials	88,727		11,376	
Direct costs	14,484,608		11,098,136	
Closing stock of finished goods	(2,562,731)		(2,428,669)	
Closing stock of raw materials	(61,766)		(88,727)	
Fulfilment	1,845,528		947,923	
Profit or loss on foreign exchange	(118,392)		83,718	
		(16,104,643)		(11,886,539)
Gross profit	19.97%	4,018,067	20.37%	3,040,940
Other operating income				
Government grants receivable and released	7,310		-	
Sundry income	1,418		2,228	
Vegware Packaging staff recharge	76,786		-	
		85,514		2,228
Administrative expenses		(3,492,819)		(2,408,984)
Exceptional items				
Restructuring costs		-		(25,000)
Operating profit		610,762		609,184
Interest payable and similar expenses				
Bank interest on loans and overdrafts	507		1,766	
Invoice finance interest payable	63,660		77,771	
Interest payable	-		162	
Non bank interest on loans	-		9,702	
		(64,167)		(89,401)
Other gains and losses				
Change in fair value of financial assets measured at FVTPL		(514,453)		28,537
Profit before taxation	0.16%	32,142	3.67%	548,320

VEGWARE LIMITED

SCHEDULE OF ADMINISTRATIVE EXPENSES FOR THE YEAR ENDED 31 JANUARY 2018

	2018 £	2017 £
Administrative expenses		
Wages and salaries	1,359,834	1,134,397
Social security costs	165,626	117,659
Staff recruitment costs	17,295	6,677
Staff training	6,269	-
Staff pension costs defined contribution	42,638	38,910
Other staff costs	10,536	9,769
Equity settled share based payment costs	13,115	-
Directors' remuneration	374,047	196,871
Directors' remuneration (non-executive directors)	12,000	33,400
Directors' pension costs - defined contribution scheme	21,448	12,423
Rent	59,997	48,128
Rates	30,816	23,719
Power, light and heat	6,278	5,801
Insurance	53,269	39,079
Repairs and maintenance	11,990	9,804
IT project costs	16,969	26,000
Leasing - other assets	5,996	4,749
Motor running expenses	3,206	1,962
Travelling expenses	178,208	198,995
Legal and professional fees	84,010	66,742
Finance charges	47,676	31,957
Slow moving stock provision	-	8,333
Printing and stationery	92,828	70,823
Advertising	111,791	114,027
Telecommunications	22,456	17,153
Research and development costs	38,208	51,033
Sundry expenses	21,756	16,727
Community fund	26,100	24,783
Amortisation	5,979	-
Depreciation	104,852	99,063
Profit or loss on sale of tangible assets (non exceptional)	8,995	-
Dilapidations provision	38,000	-
Relocation expenses	12,439	-
Vegware Packaging marketing services	434,620	-
Vegware Holdings NED recharge	53,572	-
	<u>3,492,819</u>	<u>2,408,984</u>